FINANCING

FEATURE

'Pills' up premiums

Study defends anti-takeover strategies

By John Wilcox

A new study has found poison pills are fulfilling their stated purpose of increasing target managements' bargaining power to maximize shareholder value, which suggests investment managers operating under Employee Retirement Income Security Act guidelines should support the implementation of these shareholder rights plans by corporations.

The Georgeson & Co. Inc., New York, study of hostile tender offers concludes target companies protected by poison pills command substantially higher takeover premiums than companies without them.

Georgeson examined 47 corporations that were the subject of hostile tender offers between Jan. 1, 1986, and Oct. 1, 1987. About half of these target companies had shareholder rights plans at the time of the takeover.

The study showed companies with poison pills received final offers averaging about 75% above their price six months before the bidding wars began, compared with only about 55% average gain for unprotected companies.

Because some of these gains were the result of the strong bull market during the period covered by the study, the results also were analyzed to adjust for changes in the Standard & Poor's 500 stock index average. The analysis showed final bids for companies with poison pills outperformed the S&P 500 by an average of 50%, while companies without poison pills beat the index by only 30%.

So, adjusted for changes in the S&P 500, premiums for companies protected by pills averaged only 50% greater than companies without poison pills. These results indicate shareholder rights plans add significant value for shareholders in hostile takeovers.

Shareholder rights plans are highly controversial.

Proponents claim the plans prevent takeover abuses, give bargaining power to corporate managements and shareholders faced with hostile takeover bids, provide a balancing mechanism against speculative market forces (particularly risk arbitrageurs) activated by hostile takeovers and, ultimately, result in higher prices for shareholders. The Georgeson study supports at least the last of these contentions.

The primary arguments against poison pills are that they are undemocratic because shareholders do not vote on implementation of the plan and that they have a chilling effect that prevents hostile takeovers from occurring and thereby deprives shareholders of takeover premiums.

In response, most proponents argue rights plans are legally within the power of corporate boards of directors to implement. The courts have, in most cases, upheld the plans.

A few proponents have gone further and claimed the lack of voting rights on poison pills is defensible because, in the context of tender offers, shareholders do not have voting rights with respect to changes of corporate control. In effect, this argument says that because federal law does not permit shareholders to vote on tender offers, it is equally appropriate they cannot vote on poison pills.

The claim that poison pills prevent takeovers is difficult to quantify or statistically validate. Circumstantial evidence, however, suggests poison pills do not prevent takeovers. The Georgeson study shows there were almost as many hostile takeovers for targets with poison pills as for targets without them. Furthermore, during the period since late 1985 when poison pills were first given court approval in the Household Finance case, mergermania has continued unabated (except for a brief period following the market crash).

Poison pill plans proliferated during this period while hostile takeover activity was undiminished. These facts provide evidence poison pills do not inhibit takeovers.

Despite this evidence, there is a

Continued on page 27

Impact of poison pills

Without poison pill	Price*	Final bid	Price % change	Takeover premium**
Accuray	26.125	45.00	72.25%	74.20
Avondale Mills	14.500	28.20	94.48	52.75
Conrac	15.000	27.50	83.33	50.13
Fruehauf	23.375	49.50	111.76	53.44
JWT Group	28.750	55.50	93.04	57.73
Penn Traffic	14.063	31.60	124.71	67.23
With poison pill				
Allied Stores	37.625	69.00	83.39%	69.22
Burlington Industries	36.000	78.00	116.67	73.53
Chemlawn	17.750	36.50	105.63	74.71
Clevite	7.000	16.50	135.71	96.14
Harper & Row	24.000	65.00	170.83	132.38
Kenner Parker Toys	20.500	51.00	148.78	109.18
Lamaur	13.333	28.50	113.75	79.44
Lear-Siegler	55.500	92.00	65.77	57.46
Purolator	18.000	40.00	122.22	92.70
Safeway Stores	36.250	69.00	90.34	69.42

* 6 months before first bid
** Relative to S&P 500
Source: Georgeson & Co. Inc., New York

John Wilcox is managing director of Georgeson & Co. Inc., New York.

Proxy fights taking shape

By Marcia Parker

It's that time of year again when institutional shareholders and company management either tango or duel over a wide range of proxy resolutions that are the focal point of corporate America's annual meeting rite.

With the first annual meetings less than a month away, institutional stockholders are being bombarded with persuasive pleas. Institutional investors and proxy solicitors are seeking support for their respective positions on everything from divestment in South Africa to barring greenmail payments to raiders.

The pleas come in the form of a barrage of phone calls, solicitation letters and newspaper ads; all tout the viewpoints of institutional investors, corporate raiders and corporate managements locked in battle over proxy contests and tender offers.

This year, many institutional investors are targeting the proxy voting system itself, with scores of resolutions calling on companies to adopt confidential balloting and to give all shareholders equal access to the proxy statements. Others are sponsoring proxy resolutions asking companies to rescind or put to a shareholder vote anti-takeover defenses.

These institutions — led by the California Public Employees' Retirement System, the California State Teachers' Retirement System, the New York City Retirement Systems and the Teachers Insurance and Annuity Association-College Retirement Equities Fund — hope to build on the qualified success they achieved last year as sponsors of a host of proxy resolutions. While none of the resolutions passed, they won considerable support from other shareholders. Observers predict institutional sponsors will do even better this year.

The 1988 annual meeting season also is being spiced up by hostile tender offers.

Two of the hottest contests are The Coniston Group's run at the Gillette Co. and Bank of New York attempting a takeover of Irving Bank Corp. Coniston and Bank of New York have launched proxy contests and are seeking the election of their slates of directors at the April 21 annual meetings of both Gillette and Irving.

FEATURE

Votes under microscope

Avon letter sets process

By Robert Monks and Nell Minow

The Department of Labor's first formal statement on the obligations of ERISA fiduciaries with regard to proxy voting will have a seismic effect on the way the ownership aspects of ERISA funds are exercised.

The department's statement came in the form of a Feb. 23 letter to Avon Products Inc., New York, whose proxy voting procedures were under investigation (*Pensions & Investment Age*, March 7). In the letter, Deputy Assistant Secretary Alan D. Lebowitz made it clear that ownership powers, including proxy voting, are an asset of the plan and must be exercised for the exclusive benefit of plan participants. The only acceptable consideration is the continued viability and strength of the plan.

David Walker, assistant secretary of labor, noted in a recent speech to the members of the United Shareholders Association that to comply with this statement, ERISA fiduciaries with voting authority must have written policies governing proxy voting (*P&I Age*, Feb. 22).

They must evaluate all options, including proxies, by weighing the costs and the benefits. All votes must be documented, along with the reasons.

According to the first major study of how pension plans handle proxy voting, published last year by the Employee Benefits Research Institute, many companies that have their pension plans managed by outside firms do not even know if the proxies are being voted (*P&I Age*, Sept. 21).

Nell Minow is general counsel at Institutional Shareholder Services, Inc., a Washington-based firm advising institutional investors. Robert Monks is president of the firm.

More than 60% of the small plans with equity assets of less than $25 million reported they do not vote at all. Those who allow their outside managers to vote exercise very little oversight: 98% said they never or rarely gave voting instructions; less than a quarter of sponsors with external managers attempted to coordinate the voting of the managers; and 68% did not know if their managers ever cast contradictory votes.

Even though proxies voted by internal managers were more likely to be overseen by plan sponsors and more likely to be subject to written guidelines on voting, EBRI found they were just as likely to be voted inconsistently as those voted by outside managers.

Under the Labor Department's new standard, proxy votes cast inconsistently because of negligence in communicating and applying policies are simply unacceptable.

In the past, few plans have made an effort even to match the shares held on the record date with the proxies received. It is clear these plans are not only required to do so, but that it must be documented.

There will be instances when a

Continued on page 27

Proxy votes

Continued from page 25

fund manager or a bank is acting in different capacities with regard to different sections of a portfolio. (All relationships under the Employee Retirement Income Security Act must be in writing.)

The plan documents must be analyzed carefully to determine who has the fiduciary obligations with regard to ownership.

For example, a bank might be operating as a master trustee, a custodian, a trustee of pooled funds, or an ERISA fiduciary. All of these functions have different implications and impose different obligations on the bank. The distinctions are particularly important with regard to who can and who cannot advise on proxy issues.

The documentation must extend beyond verifying that all shares were voted. For non-routine matters, it also must demonstrate the supporting analysis.

Even matters that might appear routine, such as election of unopposed directors, might raise fiduciary issues.

If director candidates have a record of approving actions contrary to shareholders' interests, either in the company for which they are a candidate or other companies, fiduciaries might be required to vote against them. At the very least, they must be able to justify that their action meets the same standards of prudence and reasonableness accorded to other aspects of asset management.

Special documentation will be required for any issue not covered by the written guidelines, or any deviation from those written guidelines.

Banks and outside asset managers will be presented, from time to time, with potential conflicts of interests.

At a bank, the loan department might try to influence the plan manager to vote for management of a good customer, even if it is contrary to the interests of the pension plan's beneficiaries. An asset manager can be pressured by other clients.

Any contacts from individuals inside or outside the organization with regard to proxy voting or tender offers or other ownership issues must be noted for the record. Policy guidelines must make provisions for these cases.

In most instances, it will be sufficient to comply with the written guidelines, which might create a per se standard of prudence and reasonableness. In some cases, however, an independent fiduciary might be required.

The policy statement issued by the Labor Department has gone very far in making clear the obligations of a fiduciary under the Employee Retirement Income Security Act with regard to proxy voting. But the policy statement also raises two important questions that remain unresolved.

The first concerns the obligations of an ERISA fiduciary for other aspects of ownership. These aspects include more activist endeavors. When must a fiduciary propose a shareholder resolution, for example?

A forthcoming law bulletin article written by Morton Klevan, the director of policy development and evaluation, Pension and Welfare Benefits Administration, compares ERISA fiduciaries to common law trustees, who must view rights such as a cause of action for a lawsuit as an asset of a plan, and must therefore take action when it is prudent and reasonable to do so. Policy guidelines for voting proxies should also contain criteria for evaluating other options available to the shareholder.

The second issue the policy statement raises concerns the obligations of other fiduciaries who manage assets, public pension plans and assets held under the Investment Company Act, for example.

A case could easily be made the same concerns exist and the same standards apply. The statement issued by the Labor Department sets an important precedent that will lead to changes in those areas as well. ■

Study

Continued from page 25

common assumption that poison pills are not in the best interests of shareholders. During the 1987 proxy season, more than 30 corporations faced shareholder-sponsored proposals calling for rescission of poison pills or submission of the plans to approval by shareholder vote. In 1988, these proposals again will be on the ballot.

On the basis of the Georgeson study, serious questions arise as to whether the poison pill rescission proposals themselves may be against the interests of shareholders.

ERISA proxy voting guidelines were issued in a Feb. 23 letter to Avon Products Inc. signed by Alan D. Lebowitz, deputy assistant secretary of labor (*Pensions & Investment Age*, March 21). In light of the Georgeson study, it is arguable that fiduciaries are violating ERISA requirements if they fail to support poison pill plans or if they seek to have them rescinded.

Although the bulk of Mr. Lebowitz's letter deals with procedural matters relating to the delegation of voting responsibilities, a footnote describes "substantive requirements" for proxy voting by fiduciaries.

The key wording states a fiduciary of a plan must act "... for the exclusive purpose of providing benefits to participants and beneficiaries."

To act prudently in the voting of proxies (as well as in all other fiduciary matters), a plan fiduciary must consider those factors which would affect *the value of the plan's investment*." (emphasis added).

The last sentence of this footnote explicitly prohibits a fiduciary "... from subordinating the interests of participants and beneficiaries in their retirement income to *unrelated objectives*" (emphasis added).

The Georgeson study suggests that in hostile takeovers, poison pills help maximize value for shareholders. Evidence that poison pills prevent takeovers or otherwise interfere with shareholders' ability to obtain premiums is non-existent. Furthermore, circumstantial evidence indicates poison pills do not prevent takeovers.

Thus the only justification for a fiduciary objecting to poison pills is on grounds of principle — i.e., an objection to the "undemocratic" lack of shareholder voting rights when the plans are implemented.

Objection on principle, however, would appear to be an "unrelated objective," which is barred from consideration by fiduciaries under the footnote of the Lebowitz letter. ■

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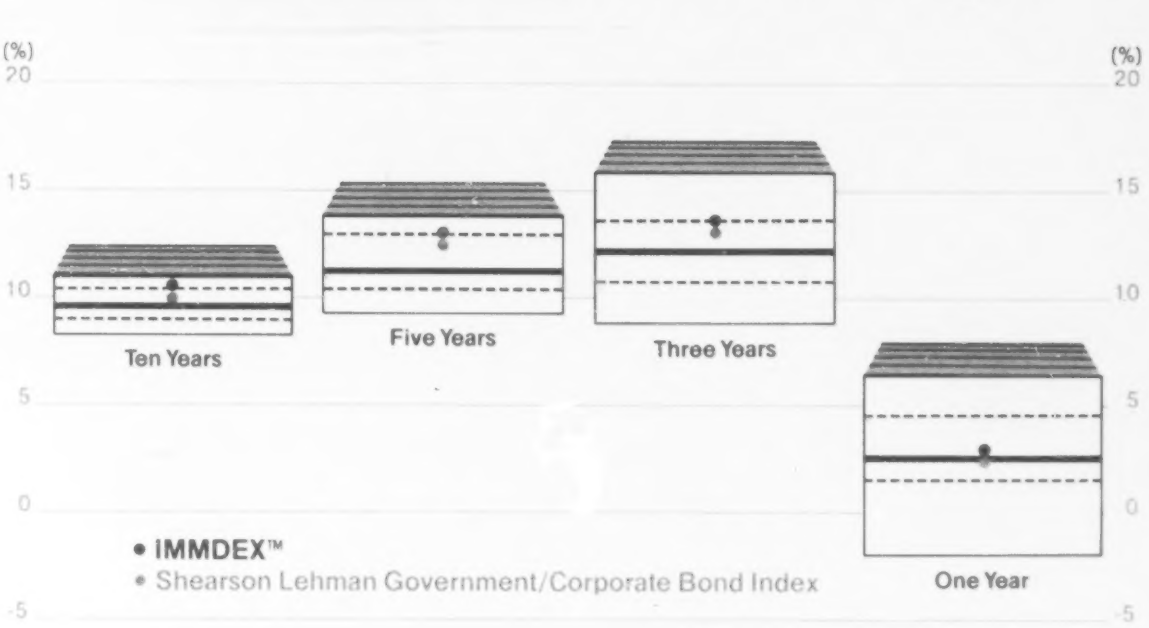

Bond fund total rates of return for periods ended December 31, 1987. Source SEI.

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PENSIONS & **April 18, 1988**

Investment Age

The newspaper of corporate and institutional investing **$4.50 an issue · $90 a year**

Street ups trading costs

6 months later

By Barry B. Burr
and Joel Chernoff

Since the October market crash, execution costs on principal, institutional trades have risen while brokerage costs for the easier agency trades have fallen, decreasing the attractiveness of soft-dollar services, among other side effects.

Lower equity trading volume and greater uncertainty about volatility generally have made trading more difficult; widening bid/ask spreads and increasing caution among dealers about committing capital to trades have added to execution costs.

Equity trading executives at Allen & Co., Bear Stearns & Co., First Boston Corp. and Goldman, Sachs & Co., all of New York, said their companies have raised costs for principal trades since October, but all declined to provide specific figures.

At Goldman, Sachs, Dexter Earle, vice president, said, "For principal trades, our (commission) rates have gone up and spreads have widened."

Luis S. Mendez, First Boston managing director, said, "Commission rates are up in relation to principal trades because liquidity is less. On agency trades, commission costs are lower. I can tell you right now I'm not having any luck raising (agency) commissions."

Rates "are definitely more for principal" trades, said William Mitchell Jennings, Bear Stearns managing director.

Brokerage commissions have fallen on average for agency trades as more brokerage firms fight to maintain as much revenue as possible in the face of declining market volume.

A look at how pension fund asset allocation, the breadth and depth of the stock market and the state of hedging strategies have changed six months after Black Monday — Page 3.

Unlike the others interviewed, Mr. Jennings said his company also has raised average commission rates "a little" for agency, or brokered, trades where dealers act only as agents and commit no capital.

Off-market institutional trading networks — Instinet Corp.'s Crossing Network and the BARRA Inc. and Jefferies & Co. Inc.'s Portfolio System for Institutional Trading — claim to have gained volume in the last two quarters; representatives, however, won't release specific figures. Commissions are 1 cent a share for the Crossing Network; and 1 to 2 cents for POSIT. Trades are done at the closing price, having no market impact.

With trading volume down since October, brokerage industry executives noted managers that pay for services by channeling trading commissions to designated brokerage companies face a squeeze. Managers have to cut back on such services, or devote a larger share of their trades to generate soft dollars, leaving fewer trades to dedicate solely to execution considerations.

A study by SEI Corp., New York, found that during the fourth quarter, excluding the extraordinary trading

Continued on page 53

CFO salaries climb: 1 earns $900,000-plus

By Marcia Parker

Courtney F. Jones, who earned $902,400 at Merrill Lynch & Co. in 1987, is the highest paid chief financial officer among more than 100 public companies sampled by *Pensions & Investment Age*.

Thomas O. Thorsen's salary of $875,500 at The Travelers Cos. garnered him the No. 2 spot. Textron Inc.'s Dennis G. Little was third, with $770,361, the highest-paid chief financial officer among about 20 Fortune 100 companies in the survey.

All three men hold the dual titles of executive vice president and chief financial officer.

At well-known companies, W. Keith Smith, a vice chairman and chief financial officer of Mellon Bank Corp., was among the lowest paid: He earned $188,514 last year, of which $133,514 was salary and $55,000 was bonus. Some chief financial officers of smaller, regional banks earned less.

Bethlehem Steel Corp.'s Gary L. Millenbruch was the lowest paid at Fortune 100 companies in the survey. He earned $283,750 as senior vice president and chief financial officer.

Data for the survey came from the companies' proxy statements, which list the companies' five most highly compensated executives. Public companies must report that information to the Securities and

Continued on page 54

***P&I Age*'s special focus on the changing world of the chief financial officer continues on Page 13.**

Young plans in bind over funding limits

By Nicky Robertshaw

WASHINGTON — The new full-funding limit for pension funds is giving executives at Digital Equipment Corp. and other companies a headache.

Digital, which has been lobbying heavily for relief from the law that prohibits tax-deductible pension contributions once the assets reach 150% of current liabilities, is typical of companies most vulnerable to problems under the law.

The company has a young work force, with a median age of 34; it has experienced significant growth in profits and numbers of new employees; and out of 67,000 participants, it has only 1,000 retirees.

Because current liability does not take into account projected benefit obligations, Digital would be precluded from contributing to its pension plan for the next four to six years, said Crace L. Hinchman, manager of public affairs for Digital's Washington office.

The market value of Digital's pension assets was $758 million as of September 1987; the projected liabilities were $592 million. Contribution data were not available.

"While we've been (funding the plan based on projected benefit obligations) because we believe it is our responsibility to fund today, Congress has precluded us from doing that," Ms. Hinchman said. "Now we're going to have to pay for future benefits in the future, when we don't know if we'll be as healthy."

She added the policy is at odds with the mandate of the Employee Retirement Income Security Act to fund consistently over time, and has the effect of penalizing companies that are healthy and are adding to their work forces.

While the problems faced by young funds such as Digital's

Continued on page 53

Digital Equipment, a leading provider of computer network systems, would not be able to make contributions to its pension plan for at least four years under new full-funding rules.

INSIDE

1 ... P. 31

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LATE NEWS

Wheeling-Pitt plans still unsettled

WASHINGTON — The $85 million settlement in principle between the PBGC and Wheeling-Pittsburgh Steel Corp. on the agency's claims in the steelmaker's bankruptcy proceedings still leaves unresolved the issue of whether any new plans the company establishes would be illegal follow-on pension plans.

Under the terms of the settlement, Wheeling-Pittsburgh will pay $60 million in cash to the Pension Benefit Guaranty Corp. upon confirmation of its plan of reorganization by a federal bankruptcy court and $25 million in the form of a note payable six years after the initial distribution.

"We believe it is a fair and equitable settlement for both sides," said an attorney for Wheeling-Pittsburgh, adding he hoped the settlement was a harbinger of the PBGC's being somewhat accommodating on the issue of the steelmaker's new pension plans. A court hearing on the replacement plans will be held in June; a temporary benefit plan expires in August.

Royal S. Dellinger, PBGC deputy executive director, said the settlement is significant because, among other reasons, it reinforces the priority of the agency's claims for the employer contributions due to the plans between bankruptcy filing and the termination of the plans.

Arnott leaving Salomon Brothers

NEW YORK — Robert D. Arnott is leaving Salomon Brothers Inc. after a year as vice president and strategist to become president and chief investment officer of First Quadrant Corp., a Morristown, N.J., in-house investment unit of Crum & Forster Inc., an insurance company whose ultimate parent is Xerox Corp., Stamford, Conn.

First Quadrant has no outside clients. Robert M. Lovell Jr., who was promoted to the new position of chairman from president, said Mr. Arnott's task will be to develop institutional business, overseeing both marketing and investment strategy. First Quadrant now runs $6 billion in Crum & Forster assets, all in fixed income except about $700 million in equities; its only other assets come from two Xerox-related accounts and total $70 million in equities, Mr. Lovell said.

Salomon executives were unavailable for comment.

Landauer unit spinoff possible

NEW YORK — Landauer Associates Inc. could spin off its institutional investment management unit as part of a possible restructuring being discussed by management and the three foreign institutional owners of the real estate services company.

Landauer executives plan to meet April 19 to discuss various restructuring possibilities. Spinning off the advisory unit, Landauer Advisors Inc., "is certainly a conceivable option," a source said. The source added, however, if Landauer Advisors were spun off, Barings Inc., London, probably would become sole owner of the unit, although management could be asked to participate in the buy-out.

Baring, along with Hilliar Parker, London, and Societes Bordais, Paris, own 70% of Landauer Associates. Landauer's management owns the remaining 30% of the firm, which also operates valuation and financing units.

Landauer Advisors runs $712 million in real estate assets, of which $113 million is tax exempt.

Funds announce asset moves

• HARTFORD, Conn. — The $4 billion pension fund of United Technologies Corp., Hartford, Conn., has committed between $5 million and $20 million to the CERF II closed-end real estate investment fund managed by CIGNA Investment Inc., Hartford, said Frances M. Crimbly, director-pension investments.

• HARTFORD, Conn. — The $5.8 billion State of Connecticut Trust Funds has taken a novel approach to active international stock investing, relieving four new managers of the regional asset allocation responsibility by splitting assets among Pacific Basin accounts and European accounts, according to Frank P. McDermott, assistant treasurer-investments.

Hired to manage $25 million each were: Nomura Capital Management Inc., New York, and Schroder Capital Management International Inc., New York, for Pacific Basin portfolios; and Fidelity International Investment Advisors, Boston, and Capital Guardian Trust Co., Los Angeles, for European portfolios.

The fund also added $50 million to a $100 million international passive stock account with Boston International Advisors Inc., Boston.

• MINNEAPOLIS — The $340 million Cargill Inc. pension fund has committed $20 million in undisclosed amounts to three commingled real estate funds — the Property Fund III closed-end fund managed by Lehndorff & Babson Real Estate Counsel, Dallas; the closed-end Realty Fund V managed by TCW Realty Advisors, Los Angeles; and the open-end Real Estate Equity Fund of First Asset Realty Advisors, Minneapolis.

DEPARTMENTS

Cash management	37	Opinion	10
CFO salaries	13	P&I Age indexes	47
Financing	31	Portfolio management	23
Letters	10	Real estate	19
Market beat	39	Valuation indexes	46
Money movers	43	Washington	40

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KKR refinances LBO with mortgage sale

Jim Walter deal could become model

By Brad Rudin

In what could become a model for the long-term financing of other leveraged buy-outs, Kohlberg Kravis Roberts & Co. used a $1.45 billion sale of mortgage assets to pay down bank debt associated with the firm's buy-out of Jim Walter Corp.

Jim Walter, which markets standardized single-family homes, was acquired by KKR in a $2.3 billion leveraged buy-out last year.

The transaction marks the first time financial assets such as mortgages were sold to take out leveraged buy-out bank debt.

"KKR reasoned that the marketplace, in evaluating the stock of Jim Walter Corp., was not properly evaluating the assets of Mid-State Homes, which is the mortgage finance subsidiary of Jim Walter," said Peter E. Hoey, a senior vice president with Financial Security Assurance Inc., New York, which provided a surety bond that guarantees noteholders the full payment of interest and principal.

The FSA guarantee shaved off about 75 basis points from the coupon, Mr. Hoey said, adding the net saving to the issuer was about half that amount because of the premium paid to FSA.

FSA required collateralization in excess of 20%, or about $1.75 billion, in mortgages to secure $1.45 billion of notes.

If the collateral were liquidated in the event of default, investors would be protected from the risk of accelerated payment by a defeasance structure that calls upon FSA to buy high-quality securities whose cash flow would satisfy the principal and interest payments due on the notes.

An AAA rating from Moody's Investors Service and Standard & Poor's Corp. was a condition for issuance of the notes.

The mortgage-backed notes were issued by Mid-State Trust II, which was created by Mid-State Homes Inc. Salomon Brothers Inc. was lead manager of the public offering while Drexel Burnham Lambert Inc. served as co-manager.

Mid-State Homes acts as servicing agent for the mortgage collections, getting an annual fee of $240 for each of the 74,298 accounts collateralizing the notes.

KKR reportedly first attempted to sell the notes in a private placement led by Drexel, but abandoned that course after the deal received a cool reception from Prudential Insurance Co. of America, which was going to buy a large portion of the deal.

The public offering, priced earlier this month, appeals to a wide range of investors because it

Continued on page 49

Peter Hoey noted the market didn't properly evaluate Jim Walter's mortgage subsidiary.

Surge due for growth stocks

By Curtis Vostl

Many growth managers, outperformed in recent years by nearly every other equity investment style, say it's their time to shine.

Overshadowed in the frenzy of arbitrage and the bull market, analysts say a combination of factors — including low valuation, a slowdown of foreign investment in blue-chip stocks and the normal pendulum effect — will help growth stocks emerge as stars in the near future.

Others are cautious about the turnaround, saying its duration might be short-lived if there is a recession.

But for now, growth managers and analysts are almost giddy with first quarter performance that shows growth stocks outperforming the Standard & Poor's 500 stock index by at least 180 basis points.

"This is the first time in five years that growth managers can hold their heads high," said Keith Stransky, vice president at Evaluation Associates Inc., Norwalk, Conn. "It's a good feeling."

Mr. Stransky said EAI's research shows growth managers earned 7.5% to 8% in the first quarter,

Continued on page 50

Funds dumped shares before Black Monday

By Nicky Robertshaw

WASHINGTON — Pension fund executives and their money managers did most of their stock selling before Black Monday, the Employee Benefit Research Institute reported.

Indeed, private trusteed pension funds sold just 1% of all directly held equity holdings between Oct. 1 and Dec. 31 — a net of $5 billion — compared with net sales of $14 billion during the third quarter and $34 billion during the first three quarters of 1987, EBRI data showed.

(Directly held stocks are those purchased outright, rather than shares held through investments in pooled or mutual funds.)

EBRI's study, released last week, is one of the first objective indicators of pension fund behavior during last year's volatile stock market.

Dallas Salisbury, president of the Washington-based EBRI, said the findings parallel those of the Brady Commission, which concluded pension funds were not a significant player when the Dow Jones industrial average plunged 508 points Oct. 19.

(There were exceptions, however, including the pension fund of General Motors Corp., New York — which sold $1 billion in equities — and users of portfolio insurance and other derivative instruments.)

EBRI's findings also reinforce those of SEI Funds Evaluation Services: Purchases represented 51.3% of the dollars traded by investment managers in SEI's universe during the five, heavier-than-usual trading days between Oct. 15 and Oct. 21.

"This supports the conclusion of the Brady Commission that much of the net selling during this period was conducted by portfolio insurers and mutual funds, and generally not pension funds," said the report by SEI of Wayne, Pa.

Mr. Salisbury said pension funds likely sold more stock before the crash than after because they sold "when they had capital gains to make, but not in the fourth quarter when they would have taken losses . . . Why take capital losses when you're in it for the long term?"

He also speculated that pension executives feared the bull market had run its course.

Industry observers were not

Continued on page 51

Asset mix of trusteed pension funds*

	Equity	Bonds	Cash	Other
4th qtr. '83	36	18	12	33
4th qtr. '84	35	19	11	34
4th qtr. '85	36	18	10	35
4th qtr. '86	37	18	8	36
1st qtr. '87	40	16	9	35
4th qtr. '87	36	17	9	37

* Might not total 100 because of rounding.

Source: EBRI Quarterly Pension Investment Report

CHIEF FINANCIAL OFFICERS

A new breed for complex times

More status comes with added duties

By Marcia Parker

Corporate America's chief financial officers are playing a more dynamic role in the core management team today, a reflection of their changing jobs, rising status and demand from other company executives for their input on key business and strategic decisions.

The deregulation and globalization of the capital markets, keen international competition, the rise of financial engineering, merger and acquisition mania, tangled tax laws and the emphasis on highly active asset management all have combined to make top management rely more on the chief financial officer for insight. That in turn makes the job broader, more difficult and more challenging.

"The challenges make a CFO gray," quipped Jules Zimmerman, group vice president-finance and chief financial officer of Avon Products Inc., New York.

Interviews with more than 12 chief financial officers found each approaches his or her job differently and the jobs vary widely by company. More and more of them are in the five most highly compensated executives group and have added other titles including vice chairman and director, reflecting their higher status.

All agree they have more responsibility, manage bigger staffs and are increasingly involved in all aspects of corporate decision-making.

Restructuring projects and activities related to mergers and acquisitions are taking up a lot more of their time today. They say the most difficult part of their job is keeping abreast of the rapidly changing world.

Responding to those changes, the Financial Executives Institute, whose members include about 1,000 chief financial officers, is trying to meet its members' needs by offering seminars and articles in its publications on topics that reflect the financial officer's increasingly broad interests and duties. In the months ahead, conferences are scheduled on Wall Street's volatility, the aftermath of Black Monday, corporate restructuring and mergers and acquisitions, and information management.

"The role hasn't changed as much as the environment has changed," said H. Clark Jr., executive vice president and chief financial officer at American Express Co., New York. "There's the changing financial markets, globalization and new financial instruments, complexity of U.S. and foreign tax laws, accounting changes, investment opportunities and credit quality concerns."

The whole world is more complex and more volatile, compared with the stability of years past, said William H. Springer, vice chairman and chief financial and administrative officer at American Information Technologies Corp., Chicago. "The challenge is to maintain the energy level. There's an awful lot of reading, traveling, communicating," Mr.

Continued on page 14

Starting salaries — chief financial officers/treasurers

Company $ volume in millions	1988	1986	1984
10-50	$46,000-$66,000	$42,000-$63,000	$39,000-$60,000
50-250	59,000-86,000	55,000-85,000	53,000-83,000
250-750	77,000-120,000	74,000-116,000	69,000-111,000
750 +	104,000-170,000	100,000-164,000	97,000-160,000

Source: Robert Half International Inc., New York

1987 top financial executives' salaries

Companies with sales of more than $6 billion

	Mean	Median
Base salary	$268,105	$265,000
Bonus as % of base	52	55
Total compensation	$411,773	$388,182
Age	52	51
Company service	15	13

Sales of $3 billion to $6 billion

	Mean	Median
Base salary	$248,073	$248,625
Bonus as % of base	53	54
Total compensation	$384,185	$352,500
Age	52	52
Company service	14	12

Sales of $1 billion to $3 billion

	Mean	Median
Base salary	$216,802	$200,000
Bonus as % of base	38	36
Total compensation	$307,896	$277,300
Age	52	53
Company service	16	14

Sales of $500 million to $1 billion

	Mean	Median
Base salary	$168,357	$165,000
Bonus as % of base	29	30
Total compensation	$219,381	$203,995
Age	49	50
Company service	10	9

Sales of less than $500 million

	Mean	Median
Base salary	$124,703	$120,000
Bonus as % of base	28	26
Total compensation	$161,170	$144,658
Age	47	46
Company service	12	11

Source: Towers, Perrin, Forster & Crosby Inc.

A sampling of chief financial officer salaries

Fortune 100

Anheuser-Busch Cos. Inc.
Jerry E. Ritter
Vice president, group executive & chief financial officer
$376,008*

Bethlehem Steel Corp.
Gary L. Millenbruch
Senior vice president & chief financial officer
$283,750

The Boeing Co.
H.W. Haynes
Executive vice president, chief financial officer & director
$568,009

Honeywell Inc.
Louis E. Navin
Vice president, chief financial officer, administrative officer; director
$438,406

Pfizer Inc.
Jean-Paul Valles
Vice president-finance
$426,911

PPG Industries Inc.
Robert H. Mitchel
Vice president-finance
$225,000*

Textron Inc.
Dennis G. Little
Executive vice president & chief financial officer
$770,361

Time Inc.
E. Thayer Bigelow
Chief financial officer
$732,500

Unocal Corp.
Claude S. Brinegar
Executive vice president & chief financial officer
$482,167

Weyerhaeuser Co.
Robert L. Schuyler
Executive vice president & chief financial officer
$400,000

Whirlpool Corp.
James R. Samartini
Executive vice president & chief financial officer
$330,367

Other companies

American Information Technologies Corp.
William H. Springer
Vice chairman, chief financial & administrative officer
$310,000*

Armco Inc.
W.B. Askins
Executive vice president & chief financial officer
$319,234

Avery International Corp.
Philip M. Neal
Senior vice president-finance & chief financial officer
$267,000

Aetna Life and Casualty Co.
Donald G. Conrad
Executive vice president & chief financial officer
$616,384

Cincinnati Bell Inc.
Dennis J Sullivan Jr.
Executive vice president & chief financial officer
$326,495

Cummins Engine Co. Inc.
John T. Hackett
Executive vice president & chief financial officer
$286,538

The Walt Disney Co.
Gary L. Wilson
Executive vice president & chief financial officer; member of the board of directors
$500,000

Haverty Furniture Cos. Inc.
Leonard O. Gay
Executive vice president & chief financial officer; director
$283,828

Hershey Foods Corp.
M.F. Pasquale
Vice president-finance & chief financial officer
$172,500*

First Boston Corp.
Henry G. Geier
Treasurer of First Boston Inc., vice president & comptroller of First Boston Corp.
$250,000

The Lubrizol Corp.
W.T. Bergie
Senior vice president-finance
$301,036

Merrill Lynch & Co. Inc.
Courtney F. Jones
Executive vice president & chief financial officer
$902,400

Pennzoil Co.
N.J. Luke
Group vice president-corporate finance & accounting
$427,000

Reynolds Metal Co.
R. Bern Crowl
Executive vice president & chief financial officer
$305,500*

Schlumberger Ltd.
A. Lindenauer
Executive vice president-finance & chief financial officer
$455,100

The Sherwin-Williams Co.
T.R. Miklich
Senior vice president-finance & chief financial officer
$274,231

J.P. Stevens & Co. Inc.
John J. Zerrenner
Senior vice president-finance & chief financial officer; member of the executive committee
$203,651*

VF Corp.
J.M. Wiggins
Vice president-finance & chief financial officer
$280,000

Warner Lambert Co.
Robert J. Dircks
Executive vice president & chief financial officer
$470,750

Quantum Chemical Corp.
Francis L. Brophy
Senior vice president & chief financial officer
$235,000*

United States Surgical Corp.
Bruce S. Lustman
Executive vice president-finance & chief financial officer
$559,000

The Travelers Cos.
Thomas O. Thorsen
Executive vice president & chief financial officer; director
$875,500

* Receives other bonus

Source: The 1987 salary data were taken from the 1988 proxy statements. The data are not available for every Fortune 100 company.